

**HANKSVILLE TOWN**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2005**

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# Kimball & Roberts

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Richfield, Utah 84701

Phone 896-6488

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Board  
Hanksville Town  
Hanksville, Utah 84734

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hanksville Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hanksville Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hanksville Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, on our consideration of Hanksville Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 41 through 43 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

October 28, 2005  
Richfield, Utah

# **HANKSVILLE TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS For The Year Ended June 30, 2005**

This discussion of Hanksville Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and streets, health and welfare and culture and recreation.

## **Financial Highlights**

- \* The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,364,480 (net assets). Of this amount, \$47,305 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- \* The government's total net assets increased by \$500,194. The revenues were more than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- \* At the close of the current year, the Town's governmental fund, the general fund, reported ending fund balance of \$36,641, an increase of \$5,895 in comparison with the prior year. Approximately 56 percent of this total amount, \$20,262 is available for spending at the government's discretion (unreserved fund balance).
- \* The Town's total debt increased by \$91,402 during the current year.

## **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

## **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and streets, health and welfare and culture and recreation. The business-type activity of the Town is the water operations.

Refer to the table of contents for the location of the government-wide financial statements.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and enterprise funds.

### **Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Hanksville Town maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund.

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

### **Proprietary Funds**

Hanksville Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the culinary water activities.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

## Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hanksville Town's, assets exceeded liabilities by \$1,364,480 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (92 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$47,305, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

#### Hanksville Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	36,641	30,746	106,400	63,563	143,041	94,309
Capital Assets	<u>329,579</u>	<u>340,103</u>	<u>1,210,332</u>	<u>632,673</u>	<u>1,539,911</u>	<u>972,776</u>
Total Assets	<u>366,220</u>	<u>370,849</u>	<u>1,316,732</u>	<u>696,236</u>	<u>1,682,952</u>	<u>1,067,085</u>
Long-Term Liabilities	-	-	291,199	199,853	291,199	199,853
Other Liabilities	<u>-</u>	<u>-</u>	<u>27,273</u>	<u>2,942</u>	<u>27,273</u>	<u>2,942</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>318,472</u>	<u>202,795</u>	<u>318,472</u>	<u>202,795</u>
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	329,579	340,103	916,620	430,193	1,246,199	770,296
Restricted	16,379	14,577	54,597	20,773	70,976	35,350
Unrestricted	<u>20,262</u>	<u>16,169</u>	<u>27,043</u>	<u>42,471</u>	<u>47,305</u>	<u>58,640</u>
Total Net Assets	<u>366,220</u>	<u>370,849</u>	<u>998,260</u>	<u>493,437</u>	<u>1,364,480</u>	<u>864,286</u>

## Governmental Activities

Governmental activities decreased Hanksville Town's net assets by \$4,629.

### Hanksville Town Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	4,268	14,617	38,239	33,781	42,507	48,398
Operating Grants	23,114	16,471	-	35,000	-	51,471
Capital Grants	-	-	494,859	-	494,859	-
General Revenues:						
Property Taxes	6,073	6,215	-	-	6,073	6,215
Other Taxes	28,590	28,313	-	-	28,590	28,313
Impact Fees	-	-	50	-	50	-
Unrestricted Investment Earnings	1,374	674	2,920	519	4,294	1,193
Total Revenues	63,419	66,290	536,068	69,300	576,373	135,590
Expenses:						
General Government	23,126	36,070	-	-	23,126	36,070
Public Safety	10,997	51,454	-	-	10,997	51,454
Highways & Streets	20,301	21,842	-	-	20,301	21,842
Health and Welfare	2,509	7,976	-	-	2,509	7,976
Culture and Recreation	11,115	14,198	-	-	11,115	14,198
Interest on Debt	-	-	5,212	8,181	5,212	8,181
Water Operations	-	-	26,033	49,959	26,033	49,959
Total Expenses	68,048	131,540	31,245	58,140	99,293	189,680
Increase in Net Assets Before Transfers	(4,629)	(65,250)	504,823	11,160	477,080	(54,090)
Transfers	-	-	-	-	-	-
Increase in Net Assets	(4,629)	(65,250)	504,823	11,160	500,194	(54,090)
Net Assets - Beginning	370,849	436,099	493,437	482,277	864,286	918,376
Net Assets - Ending	366,220	370,849	998,260	493,437	1,364,480	864,286

\* The Town received operating grants of \$23,114. Of this amount, \$12,426 was received for Class C Roads and two separate grants from Utah Department of Transportation totaling \$9,400.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

## **Business-Type Activities**

Business-type activities increased the Town's net assets by \$504,823. The Town received two capital grants, one from Rural Development of \$325,000 and another from Permanent Community Impact Fund Board of \$200,000. The Town also obtained a 0% interest loan from Permanent Community Impact Fund Board of \$100,000. These funds are being used on a new culinary water well with pump, pump house, generator, radio telemetry system and pipeline to Town. Presently the Town has expended \$592,925 on this project, known as the Navajo Project, because the well was drilled into the Navajo strata.

\* The depreciation in the enterprise fund was the same as the prior year.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund (general fund) reported an ending fund balance of \$36,641, an increase of \$5,895 in comparison with the prior year. Approximately 56 percent of this amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund is *reserved* to indicate that it is not available for new spending because it has already been committed to highways and streets for \$16,379.

As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 36 percent of total general fund expenditures, while total fund balance represents 64 percent of that same amount.

### **Proprietary Funds**

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was \$27,043. Other factors concerning the finances of this fund has already been addressed in the discussion of the Town's business-type activities.

### **General Fund Budgetary Highlights**

The difference between the original and final budget in the general fund was \$6,140.

- \* General government decreased \$500.
- \* Public safety increased \$9,757.
- \* Budgeted increase in fund balance decreased \$3,117.

Actual revenues were more than budgeted revenues by \$779 and actual expenditures were less than budgeted expenditures by \$5,116 resulting in a net increase in fund balance of \$5,895.



## Capital Asset and Debt Administration

### Capital Assets

Hanksville Town's investment in capital assets for its governmental activities as of June 30, 2005, was \$329,579 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and sidewalks.

There was one capital addition in the general fund, sidewalks of \$5,295.

#### Hanksville Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	49,628	49,628	-	-	49,628	49,628
Infrastructure	78,451	82,350	-	-	78,451	82,350
Buildings	182,750	188,125	-	-	182,750	188,125
Equipment	-	-	1,100	1,300	1,100	1,300
Improvements	18,750	20,000	616,307	631,373	635,057	651,373
Construction In Progress	-	-	592,925	-	592,925	-
Total	329,579	340,103	1,210,332	632,673	1,539,911	972,776

Additional information on the Town's capital assets can be found in the notes to the financial statements.

### Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$291,199. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

#### Hanksville Town's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	-	-	291,199	199,853	291,199	199,853

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

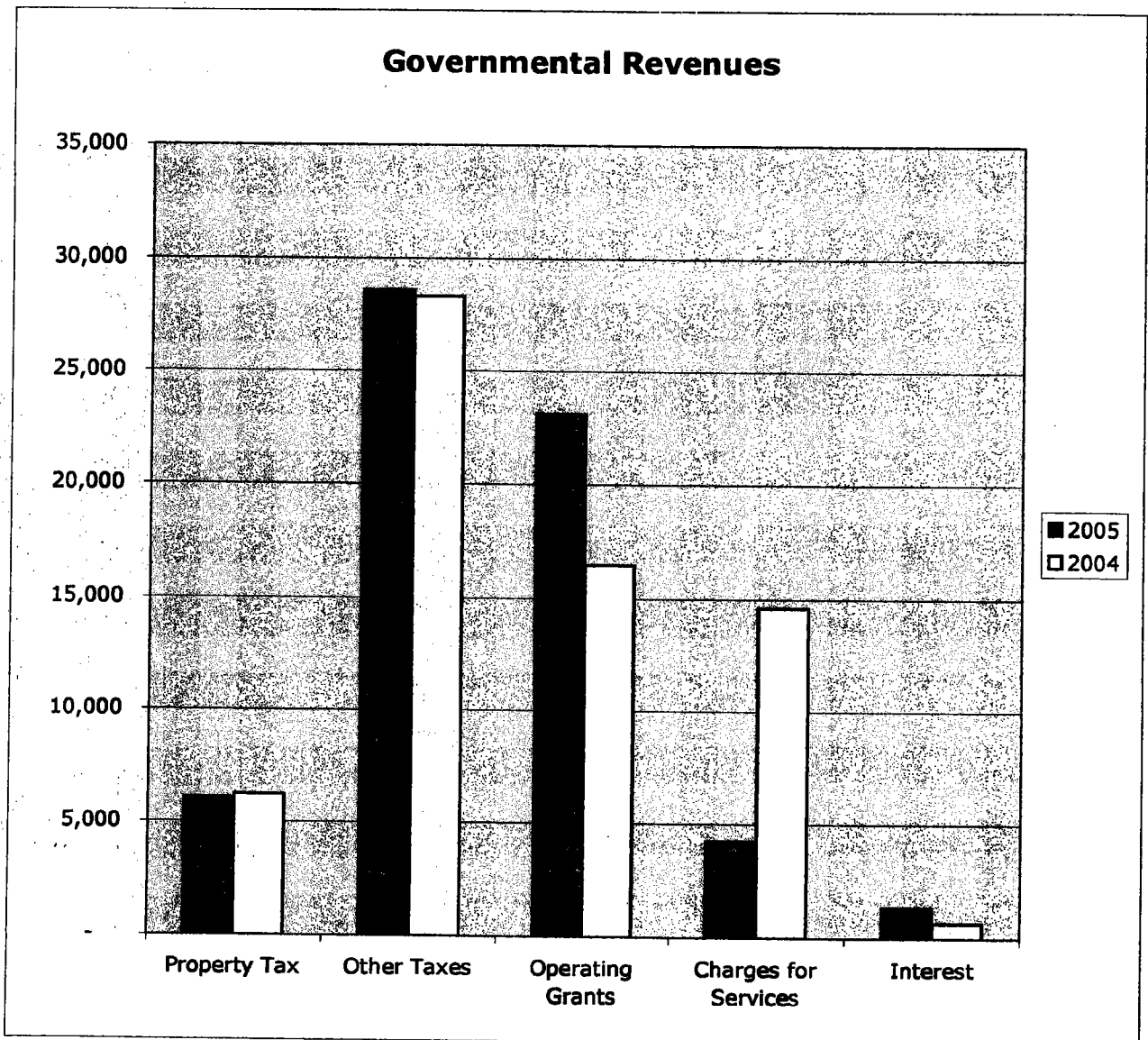
Additional information on Hanksville Town's long-term debt can be found in the notes of the financial statements.

### Request for Information

This financial report is designed to provide a general overview of Hanksville Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Hanksville Town Clerk, P.O. Box 127 , Hanksville, Utah 84734-0127.

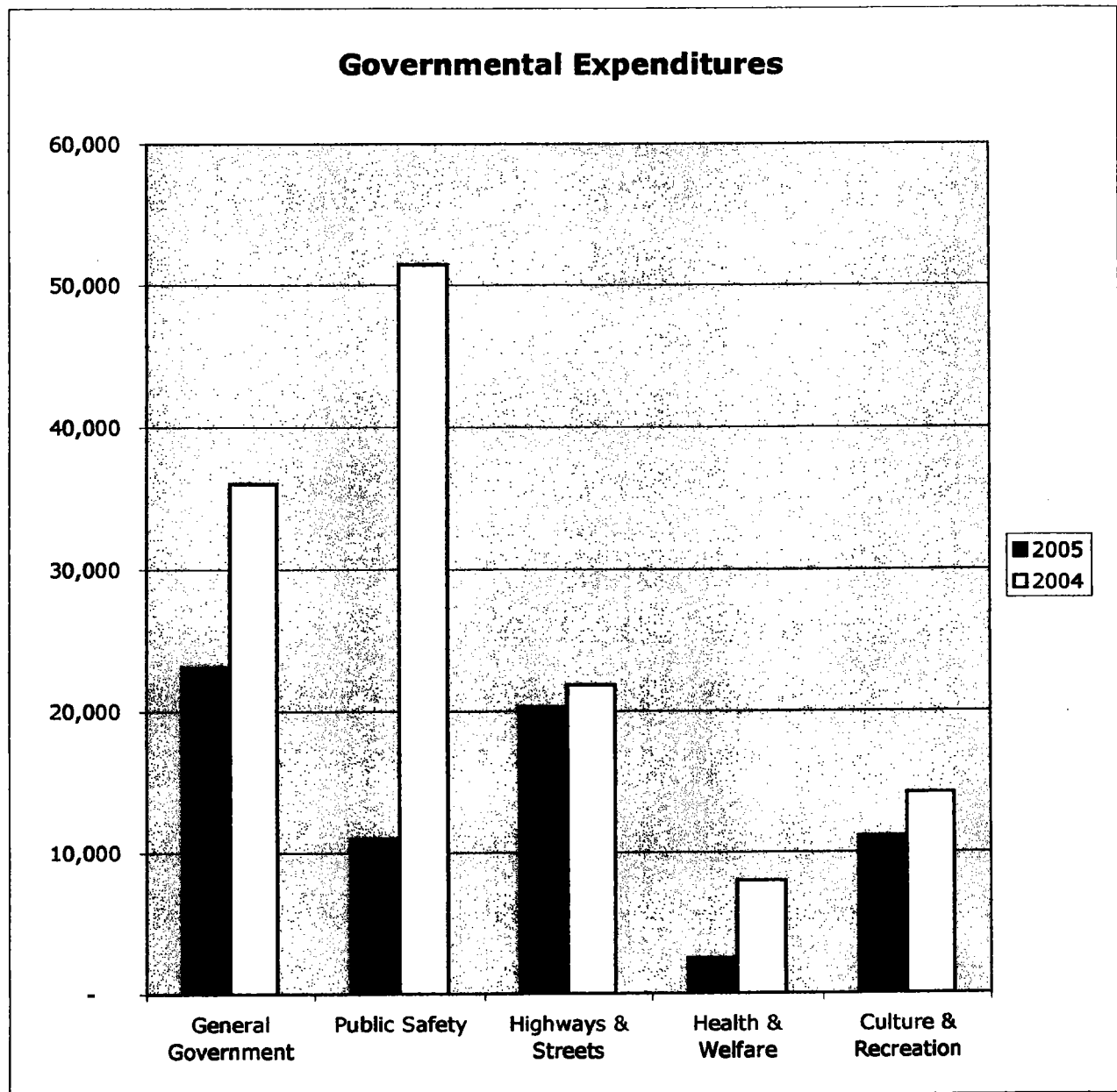
**Hanksville Town  
Governmental Revenues  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Property Tax	6,073	6,215
Other Taxes	28,590	28,313
Operating Grants	23,114	16,471
Charges for Services	4,268	14,617
Interest	1,374	674
<b>Total Revenues</b>	<b>63,419</b>	<b>66,290</b>



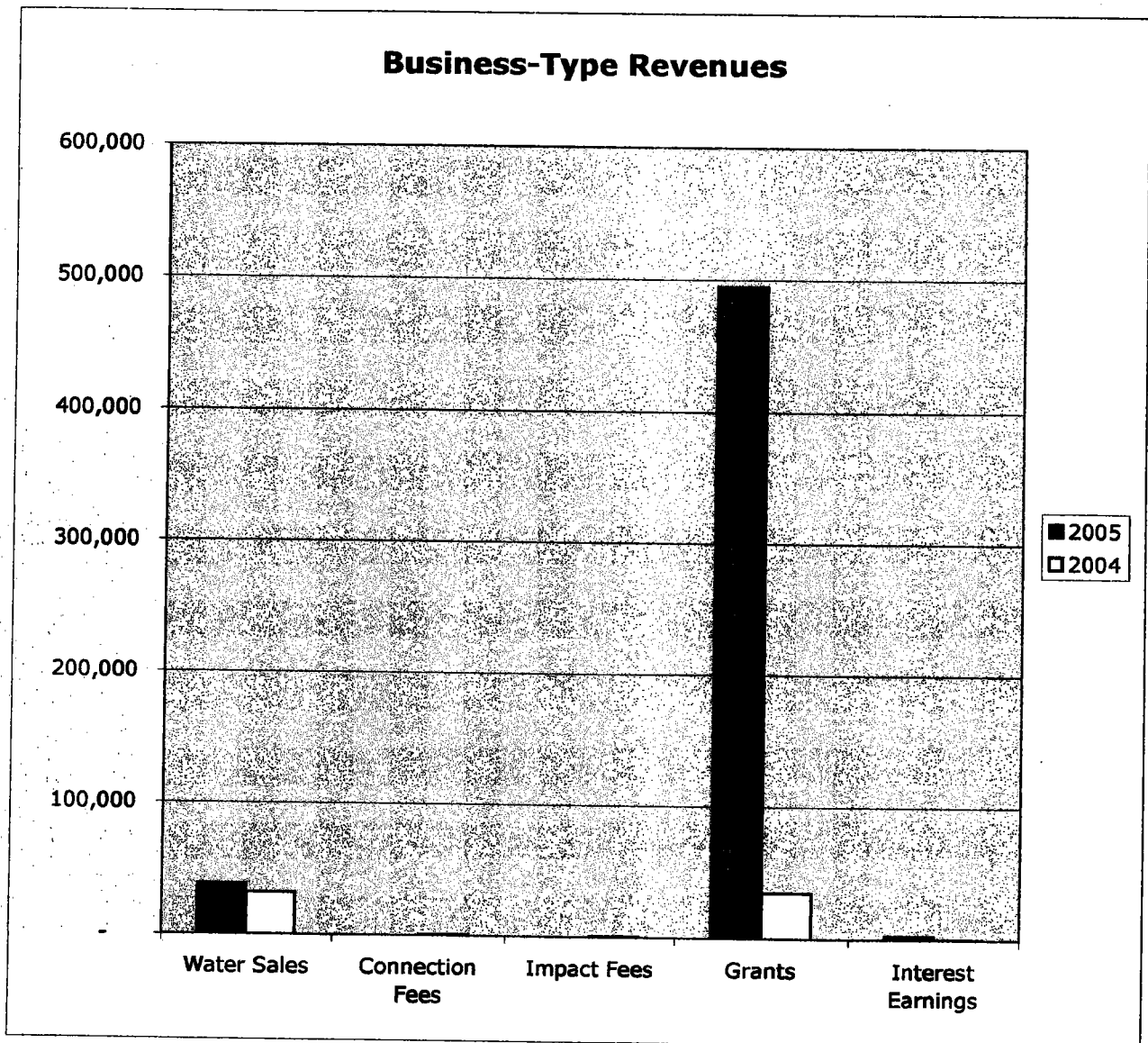
**Hanksville Town  
Governmental Expenditures  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
General Government	23,126	36,070
Public Safety	10,997	51,454
Highways & Streets	20,301	21,842
Health & Welfare	2,509	7,976
Culture & Recreation	11,115	14,198
<b>Total Expenditures</b>	<b>68,048</b>	<b>131,540</b>



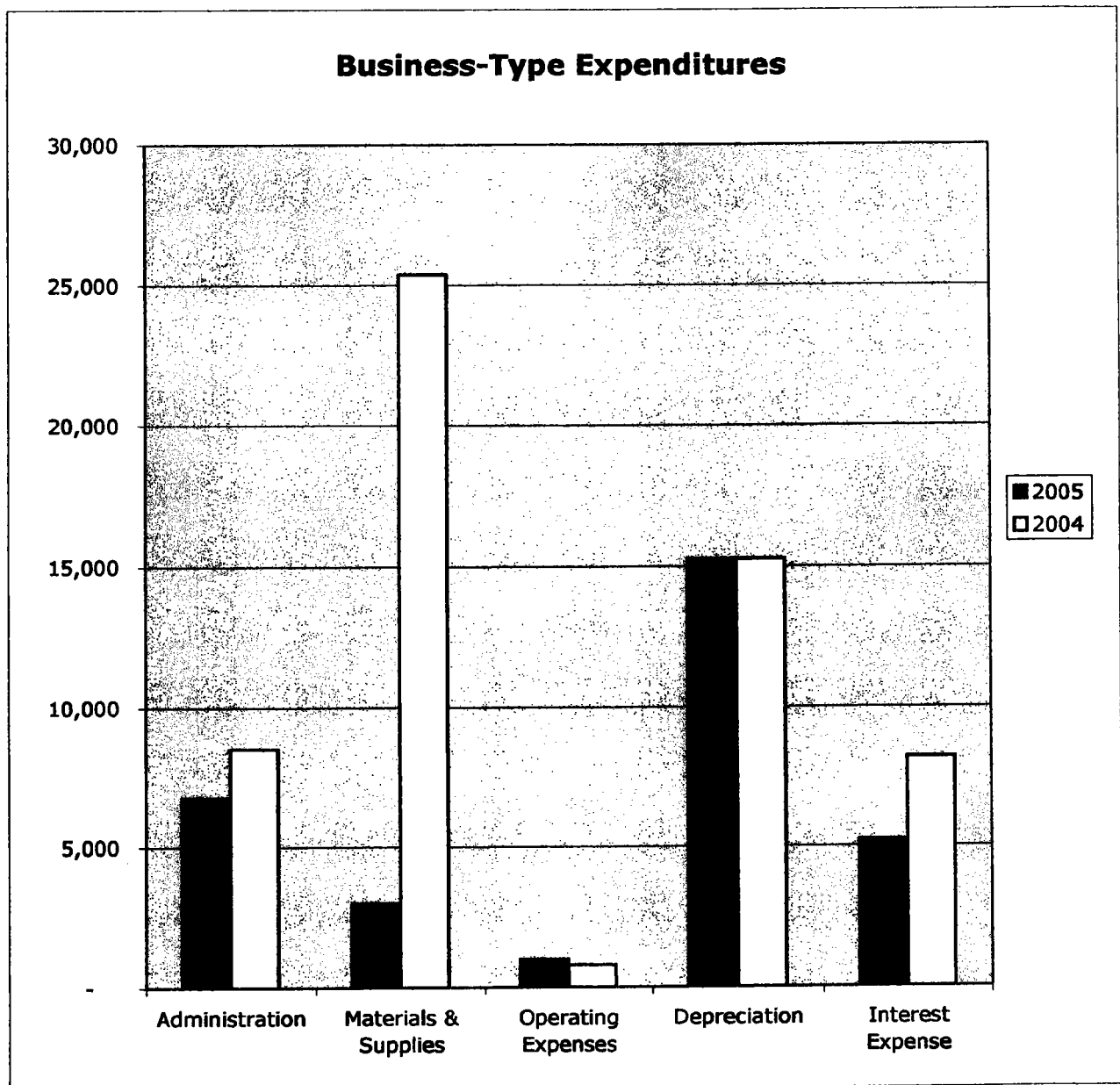
**Hanksville Town  
Business-Type Revenues  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Water Sales	38,189	32,300
Connection Fees	50	705
Impact Fees	50	776
Grants	494,859	35,000
Interest Earnings	2,920	519
<b>Total Revenues</b>	<b>536,068</b>	<b>69,300</b>



**Hanksville Town  
Business Type Expenditures  
For The Fiscal Years Ending June 30, 2005 and 2004**

	2005	2004
Administration	6,769	8,500
Materials & Supplies	3,000	25,392
Operating Expenses	998	801
Depreciation	15,266	15,266
Interest Expense	5,212	8,181
<b>Total Expenditures</b>	<b>31,245</b>	<b>58,140</b>



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# **BASIC FINANCIAL STATEMENTS**

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# HANKSVILLE TOWN STATEMENT OF NET ASSETS

June 30, 2005

		Primary Government	
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	36,641	24,521	61,162
Due from Other Governmental Units	-	24,374	24,374
Accounts Receivable (Net)	-	2,908	2,908
<b>Total Current Assets</b>	<b>36,641</b>	<b>51,803</b>	<b>88,444</b>
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	54,597	54,597
Capital Assets (Net of Accumulated Depreciation):			
Land	49,628	-	49,628
Buildings	182,750	-	182,750
Improvements Other Than Buildings	18,750	-	18,750
Equipment	-	1,100	1,100
Water System	-	616,307	616,307
Infrastructure	78,451	-	78,451
Construction In Progress	-	592,925	592,925
<b>Total Noncurrent Assets</b>	<b>329,579</b>	<b>1,264,929</b>	<b>1,594,508</b>
<b>TOTAL ASSETS</b>	<b>366,220</b>	<b>1,316,732</b>	<b>1,682,952</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	-	24,374	24,374
Deposits Payable	-	386	386
Bond Interest Payable	-	2,513	2,513
Revenue Bonds Payable - Due Within One Year	-	12,795	12,795
<b>Total Current Liabilities</b>	<b>-</b>	<b>40,068</b>	<b>40,068</b>
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	278,404	278,404
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>318,472</b>	<b>318,472</b>
<b>NET ASSETS</b>			
Investment in Capital Assets, Net of Debt	329,579	916,620	1,246,199
Restricted For:			
Bond Retirement	-	24,197	24,197
Construction	-	25,111	25,111
Class C Road	16,379	-	16,379
Impact Fees	-	5,289	5,289
Unrestricted	20,262	27,043	47,305
<b>TOTAL NET ASSETS</b>	<b>366,220</b>	<b>998,260</b>	<b>1,364,480</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>366,220</b>	<b>1,316,732</b>	<b>1,682,952</b>

The notes to the financial statements are an integral part of this statement.



# HANKSVILLE TOWN STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities Total
Governmental Activities:						
General Government	23,126	3,253	9,400	-	(10,473)	(10,473)
Public Safety	10,997	-	1,288	-	(9,709)	(9,709)
Highways and Streets	20,301	-	12,426	-	(7,875)	(7,875)
Health and Welfare	2,509	-	-	-	(2,509)	(2,509)
Culture and Recreation	11,115	1,015	-	-	(10,100)	(10,100)
Interest on Debt	-	-	-	-	-	(5,212)
Total Governmental Activities	68,048	4,268	23,114	-	(40,666)	(45,878)
Business-Type Activities:						
Water Fund	26,033	38,239	-	494,859	-	507,065
Total Primary Government	94,081	42,507	23,114	494,859	(40,666)	461,187
General Revenues:						
Property Taxes					6,073	6,073
Other Taxes					28,590	28,590
Impact Fees					-	50
Unrestricted Investment Earnings					1,374	2,920
Total General Revenues and Transfers					36,037	39,007
Change in Net Assets					(4,629)	500,194
Net Assets - Beginning					370,849	864,286
Net Assets - Ending					366,220	1,364,480

The notes to the financial statements are an integral part of this statement.

**HANKSVILLE TOWN  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

	General Fund
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>36,641</u>
<b>TOTAL ASSETS</b>	<u><u>36,641</u></u>
<b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	<u>-</u>
Fund Balances:	
Reserved For:	
Class C Road	16,379
Unreserved, Reported In:	
General Fund	<u>20,262</u>
<b>Total Fund Balance</b>	<u><u>36,641</u></u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>36,641</u></u>

The notes to the financial statements are an integral part of this statement.

**HANKSVILLE TOWN**  
**BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS**

**June 30, 2005**

Total Fund Balances - Governmental Fund Types	36,641
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	49,628	
Buildings	182,750	
Equipment	18,750	
Infrastructure	<u>78,451</u>	

Total		<u>329,579</u>
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Net Assets of Government Activities	<u><u>366,220</u></u>
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**HANKSVILLE TOWN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**For The Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>
<b>Revenues:</b>	
Taxes	34,663
Licenses and Permits	1,466
Intergovernmental Revenue	23,114
Charges for Services	1,013
Interest	1,374
Miscellaneous Revenues	<u>1,789</u>
Total Revenues	<u>63,419</u>
<b>Expenditures:</b>	
Current:	
General Government	23,421
Public Safety	10,997
Highways and Streets	11,107
Health and Welfare	2,509
Culture and Recreation	<u>9,490</u>
Total Expenditures	<u>57,524</u>
Net Change In Fund Balance	5,895
Fund Balance - Beginning	<u>30,746</u>
Fund Balance - Ending	<u><u>36,641</u></u>

The notes to the financial statements are an integral part of this statement.

**HANKSVILLE TOWN**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Fiscal Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities  
are different because:

Net Changes in Fund Balances - Total Governmental Funds	5,895
---	-------

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over their  
estimated useful lives and reported as depreciation expense. This is the  
amount by which capital outlays exceeded depreciation in the current period:

Asset Additions	5,295	
Depreciation Expense	<u>(15,819)</u>	
 Total		 <u>(10,524)</u>

Changes In Net Assets of Governmental Activities	<u><u>(4,629)</u></u>
--	-----------------------

**HANKSVILLE TOWN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	24,521
Due From Other Governments	24,374
Accounts Receivable (Net)	<u>2,908</u>
Total Current Assets	<u>51,803</u>
Noncurrent Assets:	
Restricted Cash and Cash Equivalents	54,597
Capital Assets: (Net of Accum. Depr.)	
Equipment	1,100
Water System	616,307
Construction In Progress	<u>592,925</u>
Total Noncurrent Assets	<u>1,264,929</u>
TOTAL ASSETS	<u><u>1,316,732</u></u>
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable	24,374
Deposits Payable	386
Bond Interest Payable	2,513
Bonds Payable - Current Portion	<u>12,795</u>
Total Current Liabilities	<u>40,068</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	<u>278,404</u>
TOTAL LIABILITIES	<u>318,472</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	916,620
Restricted For:	
Bond Retirement	24,197
Construction	25,111
Impact Fees	5,289
Unrestricted	<u>27,043</u>
TOTAL NET ASSETS	<u>998,260</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,316,732</u></u>

The notes to the financial statements are an integral part of this statement.

**HANKSVILLE TOWN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity <u>Enterprise</u>
	<u>Water Fund</u>
<b>Operating Revenues:</b>	
Charges for Sales and Services:	
Water	38,189
Water Connection Fees	<u>50</u>
Total Operating Revenues	<u>38,239</u>
<b>Operating Expenses:</b>	
Administration	6,769
Materials and Supplies	3,000
Other	998
Depreciation	<u>15,266</u>
Total Operating Expenses	<u>26,033</u>
Operating Income	<u>12,206</u>
<b>Nonoperating Revenues (Expenses):</b>	
Investment Earnings	2,920
Impact Fees	50
Capital Grants	494,859
Interest Expense	<u>(5,212)</u>
Total Nonoperating Revenues (Expenses)	<u>492,617</u>
Change in Net Assets	504,823
Total Net Assets - Beginning	<u>493,437</u>
Total Net Assets - Ending	<u><u>998,260</u></u>

The notes to the financial statements are an integral part of this statement.

**HANKSVILLE TOWN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise
	<u>Water Fund</u>
<b>Cash Flows From Operating Activities:</b>	
Receipts From Customers	36,854
Payments to Suppliers	(3,998)
Payments to Employees	(6,769)
Net Cash Provided by Operating Activities	<u>26,087</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Principal Paid on Capital Debt	(8,654)
Interest Paid on Capital Debt	(5,326)
Construction In Progress	(568,550)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(582,530)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Received	2,920
Loan Proceeds	100,000
Capital Grant	470,485
Net Cash Provided (Used) by Investing Activities	<u>573,405</u>
Net Increase (Decrease) in Cash and Cash Equivalents	16,962
Cash and Cash Equivalents - Beginning	<u>62,156</u>
Cash and Cash Equivalents - Ending	<u><u>79,118</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:</b>	
Operating Income	<u>12,206</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	15,266
Increase (Decrease) in Operating Assets:	
Accounts Receivable	(1,505)
Due from Other Governmental Units	(24,374)
Accounts Payable	24,374
Deposits Payable	120
Total Adjustments	<u>13,881</u>
Net Cash Provided (Used) by Operating Activities	<u><u>26,087</u></u>

The notes to the financial statements are an integral part of this statement.



**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Hanksville Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

**A. Reporting Entity**

Hanksville Town is a municipal corporation in Wayne County, Utah. It is governed by an elected mayor and four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, the Town of Hanksville, the reporting entity. The Town has no component units.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Hanksville Town considers revenues to be available if they are collected within 60 day of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Net Assets or Equity**

**Deposits and Investments:**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**Capital Assets:**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property, plant and equipment of the primary government is depreciated using the straight line method the following estimated useful lives:

Water System	50 Years
Vehicles	10 Years
Equipment	10 Years

**Long-Term Obligations:**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity:**

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

**E. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**F. Budgets and Budgetary Accounting:**

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the Town Board in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Town Board makes final adjustments to the tentative budget.
4. On or before June 22, the Town Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The Town Board may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the Town Board.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the Town Board.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing board. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Property Tax Calendar**

January 1	Lien Date - All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.
November 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.
November 1	County auditor to charge the county treasurer to account for all taxes levied.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2005, consist of the following:

	<u>Fair Value</u>
Cash on Hand	102
Demand Deposits - Check	1,776
Investment - PTIF	<u>113,881</u>
Total Cash and Investments	<u><u>115,759</u></u>

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities - Unrestricted	36,641
Business-Type Activities - Unrestricted	24,521
Business-Type Activities - Restricted	<u>54,597</u>
 Total Cash and Cash Equivalents	 <u><u>115,759</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invest in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

**Deposit and Investment Risk:**

The Town maintains no investment policy containing any specific provisions intended to limit the Town's exposure to interest rate risk, credit risk and concentration of credit risk other than that imposed by UMMA. The Town's compliance with the provisions of UMMA addressed each of these risks.

**Interest Rate Risk:**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investment of the Town are available immediately.

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk:**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the Town's demand deposits are covered by FDIC insurance.

Custodial credit risk for investment is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of Credit Risk:**

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**NOTE 3 - BOND RESERVES**

The Parity Water Revenue Bond, Series 2000A, held by the Utah Drinking Water Board, has two reserve and replacement requirements:

1. Parity Revenue Bond requires a reserve account in the amount of \$5,350 to be funded in 120 monthly payments of \$44.59. Monthly deposits began one month after the closing on May 18, 2000. The balance at June 30, 2005 is \$2,720.
2. Capital Facilities Replacement Fund for the series 2000A Bond is an annual deposit equal to 5% of the total operating budget of the System. The first installment is payable on the anniversary date of the issuance of the Bond and continues until the bond is redeemed. For purposes of this provision the annual operating budget will include debt service and depreciation. The balance at June 30, 2005 is \$8,671.

The Parity Revenue Bond, Series 2000B, held by Permanent Community Impact Fund Board has one reserve requirement. A reserve of \$10,000 is to be funded over a period of 72 months. The monthly requirement is \$138.89. Deposits began one month after the closing on May 18, 2000. The balance at June 30, 2005 is \$8,473.

The Parity Revenue Bond, Series 2004, held by Permanent Community Impact Fund Board has one reserve requirement. A reserve of \$4,000 is to be funded over a period of 72 months. The monthly requirement is \$55.56. Deposits began one month after the closing on December 9, 2004. The balance at June 30, 2005 is \$333.



**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 3 - BOND RESERVES (CONTINUED)**

The Parity Revenue Bond, Series 2004, held by Permanent Community Impact Fund Board has a sinking fund requirement. A reserve of \$4,000 is to be funded over a period of 12 months. The monthly requirement is \$333.34. Bond payments are due July 1 of each year for 25 years. The balance at June 30, 2005 is \$4,000.

The total bond reserves at June 30, 2005 is \$24,197.

**NOTE 4 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	45,500	-	-	45,500
Land Under Roads	<u>4,128</u>	<u>-</u>	<u>-</u>	<u>4,128</u>
Total Capital Assets Not Being Depreciated	<u>49,628</u>	<u>-</u>	<u>-</u>	<u>49,628</u>
Capital Assets Being Depreciated:				
Buildings	215,000	-	-	215,000
Improvements	25,000	-	-	25,000
Infrastructure	<u>183,000</u>	<u>5,295</u>	<u>-</u>	<u>188,295</u>
Total Capital Assets Being Depreciated	<u>423,000</u>	<u>5,295</u>	<u>-</u>	<u>428,295</u>
Less Accumulated Depreciation For:				
Buildings	26,875	5,375	-	32,250
Improvements	5,000	1,250	-	6,250
Infrastructure	<u>100,650</u>	<u>9,194</u>	<u>-</u>	<u>109,844</u>
Total Accumulated Depreciation	<u>132,525</u>	<u>15,819</u>	<u>-</u>	<u>148,344</u>
Total Capital Assets Being Depreciated (Net)	<u>290,475</u>	<u>(10,524)</u>	<u>-</u>	<u>279,951</u>
Governmental Activities Capital Assets, Net	<u>340,103</u>	<u>(10,524)</u>	<u>-</u>	<u>329,579</u>

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business Type Activities:</b>				
Capital Assets Being Depreciated:				
Equipment	12,000	-	-	12,000
Water System	753,302	-	-	753,302
Construction In Progress	-	592,925	-	592,925
<b>Total Capital Assets Being Depreciated</b>	<u>765,302</u>	<u>592,925</u>	<u>-</u>	<u>1,358,227</u>
Less Accumulated Depreciation For:				
Equipment	10,700	200	-	10,900
Water System	121,929	15,066	-	136,995
<b>Total Accumulated Depreciation</b>	<u>132,629</u>	<u>15,266</u>	<u>-</u>	<u>147,895</u>
<b>Total Capital Assets Being Depreciated (Net)</b>	<u>632,673</u>	<u>577,659</u>	<u>-</u>	<u>1,210,332</u>
<b>Business Type Activities Capital Assets, Net</b>	<u>632,673</u>	<u>577,659</u>	<u>-</u>	<u>1,210,332</u>
<b>Total Capital Assets</b>	<u>972,776</u>	<u>567,135</u>	<u>-</u>	<u>1,539,911</u>

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	5,000	-	5,000
Highways and Streets	9,194	-	9,194
Health and Welfare	1,625	-	1,625
Water Fund	-	15,266	15,266
<b>Total Depreciation Expense</b>	<u>15,819</u>	<u>15,266</u>	<u>31,085</u>

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 5 - CONSTRUCTION IN PROGRESS**

During the year the Town began a project to drill a water well, construct a well house with pump, a radio telemetry system, generator and pipeline to deliver water to the Town. The funding for this project is from the following sources:

A grant from the Permanent Community Impact Board	200,000
A 0% loan from the Permanent Community Impact Board	100,000
A grant from Rural Development (USDA)	<u>325,000</u>
 Total Funding	 <u><u>625,000</u></u>

**NOTE 6 - LONG-TERM DEBT**

**Bonds Payable:**

**Parity Water Revenue Bonds, Series 2000A:**

On May 18, 2000, the Town obtained a Parity Water Revenue Bond, Series 2000A from Utah Drinking Water Board. The bond is for \$75,000 with an interest rate of 3%. Payments are due January 1 of each year starting 2002 and continuing until 2022. The balance at June 30, 2005 is \$63,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	3,000	1,890	4,890
2006-2007	3,000	1,800	4,800
2007-2008	3,000	1,710	4,710
2008-2009	3,000	1,620	4,620
2009-2010	3,000	1,530	4,530
2011-2015	18,000	6,300	24,300
2016-2020	20,000	2,409	22,409
2021-2025	<u>10,000</u>	<u>450</u>	<u>10,450</u>
 Total	 <u><u>63,000</u></u>	 <u><u>17,709</u></u>	 <u><u>80,709</u></u>

**Parity Water Revenue Bonds, Series 2000B:**

On May 18, 2000, the Town obtained a Parity Water Revenue Bond, Series 2000A from the Permanent Community Impact Fund Board. The bond is for \$150,000 with an interest rate of 2.5%. Payments are due January 1 of each year starting 2002 and continuing until 2022. The balance at June 30, 2005, is \$128,199.

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	5,795	3,205	9,000
2006-2007	5,940	3,060	9,000
2007-2008	6,088	2,912	9,000
2008-2009	6,241	2,759	9,000
2009-2010	6,397	2,603	9,000
2011-2015	34,463	10,537	45,000
2016-2020	44,248	5,752	50,000
2021-2025	19,027	713	19,740
Total	<u>128,199</u>	<u>31,541</u>	<u>159,740</u>

**Parity Water Revenue Bonds, Series 2004:**

In 2004 the Town obtained a Parity Water Revenue Bond, Series 2004 from the Permanent Community Impact Fund Board. The bond is for \$100,000 with an interest rate of 0%. Payments are due July 1 of each year starting 2005 and continuing until 2029. The Balance at June 30, 2005 is \$100,000.

The following is a summary of debt service to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	4,000	-	4,000
2006-2007	4,000	-	4,000
2007-2008	4,000	-	4,000
2008-2009	4,000	-	4,000
2009-2010	4,000	-	4,000
2011-2015	20,000	-	20,000
2016-2020	20,000	-	20,000
2021-2025	20,000	-	20,000
2026-2030	20,000	-	20,000
Total	<u>100,000</u>	<u>-</u>	<u>100,000</u>

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is a schedule of changes in long-term debt:

	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Bonds Issued:							
Parity Revenue Bonds Series 2000A	2000	3%	75,000	66,000	-	3,000	63,000
Parity Revenue Bonds Series 2000B	2000	2.5%	150,000	133,853	-	5,654	128,199
Parity Revenue Bonds Series 2004	2004	0%	100,000	-	100,000	-	100,000
Total Long-Term Debt				199,853	100,000	8,654	291,199

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

The following is a summary of debt service on Parity Water Revenue Bonds payable to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	12,795	5,095	17,890
2006-2007	12,940	4,860	17,800
2007-2008	13,088	4,622	17,710
2008-2009	13,241	4,379	17,620
2009-2010	13,397	4,133	17,530
2011-2015	72,463	16,837	89,300
2016-2020	84,248	8,161	92,409
2021-2025	49,027	1,163	50,190
2026-2030	20,000	-	20,000
Total	<u>291,199</u>	<u>49,250</u>	<u>340,449</u>

**NOTE 7 - IMPACT FEE**

The Town adopted an impact fee ordinance on February 17, 2000, pursuant to the general police power, the authority granted to cities and towns by the state constitution and Utah Code Annotated 1953, as amended, Sections 11-36-101 through 11-36-30.

The purpose of this ordinance is that existing as well as new development pay for the fair share of public facilities through the imposition of impact fees which will be used to finance, defray or reimburse the Town for all or a portion of the costs of public facilities which serve such development. The amount of the impact fee is calculated based on the impact of new development on public facilities.

Until and unless modified by a subsequent resolution by the Town Council, an impact fee of \$1,350 per ERC (Equivalent Residential Unit) will be imposed with respect to any new development to be connected to the water system.

Impact fees will be collected by the Town Clerk at the time and as a condition of issuance of a building permit. Connection fees will be collected at the time of application for connection to the system.

Total impact fees collected to date is \$5,026. This amount is shown as "Reserved for Impact Fees" in retained earnings of the Water Fund. The following is a schedule of fees collected :

**HANKSVILLE TOWN  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 7 - IMPACT FEE (CONTINUED)**

The following is a schedule of fees collected :

<u>Year</u>	<u>Amount</u>
2002-2003	4,200
2003-2004	776
2004-2005	50
Accrued Interest	<u>263</u>
Total Impact Fees	<u><u>5,289</u></u>

**NOTE 8 - CLASS C ROAD**

The following is a schedule of changes in Class C Road reserved fund balance:

Balance - Beginning of Year	<u>14,577</u>
Receipts:	
State Allotments	12,426
Interest Earnings	<u>482</u>
Total Receipts	<u>12,908</u>
Disbursements:	
Maintenance	<u>(11,106)</u>
Balance - End of Year	<u><u>16,379</u></u>

**NOTE 9 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

**Liability:**

The Town is insured for \$2,000,000 combined single limit with no deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with no deductible each accident.

**HANKSVILLE TOWN**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2005**

**NOTE 9 - RISK MANAGEMENT (CONTINUED)**

**Automobile Liability:**

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with no deductible each accident. Property damage \$2,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

**Workers Compensation:**

This coverage is provided through the Workers Compensation Fund of Utah.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

**NOTE 10 - UTAH STATE RETIREMENT PLANS**

Hanksville Town does not participate in the Utah State Retirement Plan.



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**REQUIRED SUPPLEMENTARY  
INFORMATION  
"UNAUDITED"**

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**HANKSVILLE TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>30,746</u>	<u>30,746</u>	<u>30,746</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	5,500	6,060	6,372	312
General Sales and Use Taxes	<u>31,000</u>	<u>29,000</u>	<u>28,291</u>	<u>(709)</u>
Total Taxes	<u>36,500</u>	<u>35,060</u>	<u>34,663</u>	<u>(397)</u>
Licenses and Permits:				
Business Licenses	<u>1,500</u>	<u>1,416</u>	<u>1,466</u>	<u>50</u>
Intergovernmental Revenue:				
Class C Road	14,000	12,426	12,426	-
State Grants	-	9,400	9,400	-
State Liquor Allotment	1,500	1,288	1,288	-
Local Grants	<u>-</u>	<u>-</u>	<u>232</u>	<u>232</u>
Total Intergovernmental Revenue	<u>15,500</u>	<u>23,114</u>	<u>23,346</u>	<u>232</u>
Charges for Services:				
Cemetery	<u>-</u>	<u>275</u>	<u>275</u>	<u>-</u>
Miscellaneous Revenue:				
Interest	600	1,000	1,374	374
Other	<u>2,400</u>	<u>1,775</u>	<u>2,295</u>	<u>520</u>
Total Miscellaneous Revenue	<u>3,000</u>	<u>2,775</u>	<u>3,669</u>	<u>894</u>
Amounts Available for Appropriation	<u>87,246</u>	<u>93,386</u>	<u>94,165</u>	<u>779</u>

Continued

**HANKSVILLE TOWN  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

**For The Fiscal Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Charges to Appropriations (Outflows):</b>				
General Government:				
Administration	8,500	10,000	9,892	108
Professional	1,900	1,900	1,805	95
Other	16,000	14,000	11,724	2,276
Total General Government	26,400	25,900	23,421	2,479
Public Safety:				
Bull Creek Project	-	4,474	4,474	-
Sidewalks	-	5,295	5,295	-
Sheriff	1,300	1,288	1,228	60
Total Public Safety	1,300	11,057	10,997	60
Highway and Streets:				
Repairs and Maintenance	5,000	6,000	5,361	639
Salaries and Wages	7,000	6,000	5,746	254
Total Highways and Public Improvements	12,000	12,000	11,107	893
Culture and Recreation:				
Culture and Recreation	5,000	5,000	5,000	-
Cemetery	500	500	440	60
Parks	4,000	4,000	4,050	(50)
Total Culture and Recreation	9,500	9,500	9,490	10
Health and Welfare	2,000	2,000	2,509	(509)
Nondepartmental:				
Budgeted Increase in Fund Balance	5,300	2,183	-	2,183
Total Charges to Appropriations	56,500	62,640	57,524	5,116
Budgetary Fund Balance - June 30, 2005	30,746	30,746	36,641	5,895

**HANKSVILLE TOWN  
NOTE A  
BUDGETARY COMPARISON SCHEDULE  
BUDGET-TO-GAAP RECONCILIATION**

**For The Fiscal Year Ended June 30, 2005**

	<u>General Fund</u>
<b>Sources/Inflows and Resources:</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	94,165
<b>Differences - Budget to GAAP:</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(30,746)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>63,419</u></u>
<b>Uses/Outflows of Resources:</b>	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	57,524
<b>Differences - Budget to GAAP:</b>	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting pruposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>57,524</u></u>

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## **COMPLIANCE SECTION**

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# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Board  
Hanksville Town  
Hanksville, Utah 84734

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hanksville Town as and for the year ended June 30, 2005, which collectively comprise Hanksville Town's basic financial statements and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hanksville Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hanksville Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Town Board  
Hanksville Town  
Page -2-

This report is intended solely for the information and use of the audit committee, management, Town Board and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

October 28, 2005  
Richfield, Utah

# Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

## AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Board  
Hanksville Town  
Hanksville, Utah 84734

We have audited the basic financial statements of Hanksville Town, for the fiscal year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. As part of our audit, we have audited Hanksville Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The Town also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of Hanksville Town's financial statements.)

Sidewalk Grant (Department of Transportation)  
Safety Grant (Department of Transportation)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Property Tax  
Other Compliance Requirements

The management of Hanksville Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



Honorable Mayor and Town Board  
Hanksville Town  
Page -2-

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Hanksville Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.

  
KIMBALL & ROBERTS, P. C.  
Certified Public Accountants

October 28, 2005  
Richfield, Utah